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Smart Development of Organizational Trust: Dilemmas and Paradoxes

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Abstract

This paper discusses the “smart” development of organizational trust, which is based on the recognition of the complexity of social organizational environment, its non-linearity and inherent tensions. The development of trust can be regarded from four different perspectives: puzzle, dilemma, trade-off and paradox. The tensions surrounding the development of organizational trust can be addressed based on three different ways of thinking stemming from the key streams of moral philosophy: *ends*-based thinking or utilitarianism (“do whatever produces the greatest good for the greatest number”), *rule*-based or deontological thinking (“follow the principle that you want everyone else to follow”) and *care*-based thinking (“do to others what you would like them to do to you”). The paper claims that “smart” development of organizational trust should undertake the *paradox* management perspective and be based on the combination of *rule*- and *care*-based thinking.

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Introduction

Trust is perceived as a social glue of any organization or society that enables productive cooperation and coordination among its members in order to achieve collective goals and higher level of productivity (Fukuyama, 1995, Sztompka, 1999; Lewicki et al., 2006). Trust lies at the core of the more sophisticated forms of governance, such as networks, associations, communities, that empower learning and innovation in the dynamically evolving business environment (Dyer, Chu, 2000; Zaheer, Harris, 2006; MacDuffie, 2011).

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The development of trust within and across the organizations is a rather complex undertaking from management perspective. The emergence of trust can be affected by various events that are outside the direct control of the interacting parties. To make things more complicated, the perceptions of both parties towards the events and each other's actions are from predictable (DeSteno, 2014). It makes the management and development of trust not into some objectifiable phenomenon, but centred on the subjective interactions of human actors.

Therefore, traditional linear top-down approaches in management can hardly be applied while developing and managing the organizational trust. The very notion of "trust management" is often brought into question (Josang, Keser, Dimitrakos, 2005) because trust as a complex adaptive phenomenon tends to escape direct managerial influence (Sydow, 1998). Nevertheless, the role of management in building and sustaining trust, at its best, and destroying trust, at its worst, cannot be denied (Shockley-Zalabak et al., 2010).

For the above mentioned reasons, management of organizational trust calls for more subtle approach that takes in consideration the social complexity and inherent contradictions of human organization.

The *aim* of this paper is to discuss the potential ways of addressing the inherent complexities of trust management. The paper adopts the conceptual approach of complex adaptive systems that incorporates such non-linear concepts as self-organization, circular causality, distributed control or interconnectedness. We refer to the trust management in relationship with the concept of *smart development* as addressed by one of the authors of this paper (Jucevicius, 2014), which is about productively addressing the inherent tensions of the social system: hierarchies vs. networks, order vs. spontaneity, short-term vs. long-term orientation, focus on individual vs. community goals, etc. The development of organizational trust also faces quite a few tensions that have to be addressed.

In the first part of the paper, we discuss the role and importance of organizational trust, and the key approaches in organizational trust management. In the second part, we show the main conceptual aspects of "smart" development of the social system in relationship with trust development. Finally, we discuss the key tensions in trust management, and the conceptual approaches to addressing these contradictions.

1. What is so "smart" about the development of trust?

"Smartness" has become a popular buzzword during the last decade. This popularity comes from the technical systems, such as "smart" phones, applications and engineering solutions. The "smartness" of technical system is generally characterized by such attributes as *closed loop control*, *energy efficiency* and *networking capabilities*. Should we apply the same analogy to the "smart" social systems, it would mean they are flexible, self-adjusting and open to the external environment while at the same time making an efficient use of the internal resources (Jucevicius, 2014).

Smart development, first of all, takes into account the level of the complexity of the system that one is dealing with.

Glouberman and Zimmerman (2002) provide an illustrative distinction among the *simple*, *complicated* and *complex* problems.

Simple problems have possible recipes that can be repeatedly used for solving other similar simple problems. Such recipes are easily replicated, expertise is helpful but not necessarily required, solutions tend to the standardized and their outcomes are predictable. Baking a cake is often presented as an example of simple problems.

Solutions to *complicated* problems rely on formulas (rather than recipes) and high level of expertise. Knowledge acquisition and learning from experience plays an important role because successful solution of one complicated problem (e.g. sending a rocket to the moon) increases the chances of future successes in the area. The complicated systems can be reduced to observable and often quantifiable patterns. A certain influence on one part of the complicated system, such as the rocket, will produce the expected results on the system level. Thus, complicated systems can be with a degree of predictability shaped by changing or replacing their elements.

Complex problems, on the other hand, show limited use of recipes and formulas. The expertise also plays a limited role in solving the complex problems. Success at solving one complex problem can hardly be replicated and extended into solving another complex issue. A common example of complex is the raising of a child. In this case, each child is perceived as a complex system with unique combinations of genes and experiences, and their connections. Raising one child provides no guarantee of success in raising another child due to the complexities

involved. Unlike complicated systems, the complex systems cannot be predicted or shaped into any predictable “ideal” state. Most social systems fall into the category of complex systems, or more specifically, the complex adaptive systems.

The development of organizational trust belongs to the area of *complexity* because it is subject to human social interactions that are neither predictable, nor susceptible to the mechanistic nature of simple or complicated systems. Therefore, we claim that it is possible to apply the principles of smart development to the development of organizational trust.

Josang, Keser and Dimitrakos (2005) define *trust management* as “the activity of creating systems and methods that allow relying parties to make assessments and decisions regarding the dependability of potential transactions involving risk, and that also allow players and system owners to increase and correctly represent the reliability of themselves and their systems”. Such approach to trust management is adopted by the creators of computer networks who focus on creating the systems of interaction among the remote anonymous actors that need to maintain a certain degree of trust for the transaction to take place. It views the emergence through the lens of dyadic relationship between the trustor and trustee

Other researchers focus on the *systemic trust* that is characterised as trust that does not depend on direct interaction of people and is based on “faceless commitments” (Giddens, 1990; Sydow, 1998). The representatives of social embeddedness approach (e.g. Granovetter, 1985) question the very notion of trust management, especially with regard to the systemic trust, which depends on wider cultural and institutional framework, not only on the trustor-trustee interaction. Increasing the level of systemic trust is a much longer and complex process because it requires the macro-level changes that are not subject to linear managerial influence (i.e. no clear causality between specific managerial actions and the level of trust). The spontaneous sociability of actors with no previous experience of interaction means that they have to rely on a degree of the so-called “generalized trust” that is found on the system’s level and is not based on the nature or experience of the relationship (e.g. as it is the case with particularist trust which is often characteristics- or process-based).

It is precisely with regard to systemic trust that the “smart” approach to development becomes of key importance. As already mentioned, smart development is first of all based on the recognition of the complexity level of the system and its inherent contradictions.

2. Managing strategic tensions and contradictions

The second important aspect of the “smart” development of systemic trust is the recognition of inherent tensions and contradictions. De Wit and Meyer (2004) distinguish among four types of strategic tensions: *puzzle*, *dilemma*, *trade-off* and *paradox*. Each represents a specific approach to solving trust-related organizational problems.

- Strategic tension as *puzzle* is the situation where one “ideal” solution is possible. It is usually based on the in-depth analysis of the system and its elements. “Puzzle” type of approach works well in several cases. First, when solving the investigative type of problems, i.e. explaining the situation after it had already happened (e.g. detective solving the criminal case). Second, it can be applied for managing the fixed systems functioning in stable environment, such as complicated manufacturing machinery, where all parts can be aligned in a puzzle-like nature and optimized to perform the needed function. However, it is difficult to apply “puzzle” type of approach in the development of organizational trust. First, trust development is always an ongoing process that can always be disrupted and reversed. Therefore, it cannot be built by relying on “ideal” or “optimal” solutions (although it is possible to explain how trust emerged by following the logics of “puzzle”). Second, building trust is a very organic process and can hardly be explained by the “mechanics of trust” (as claimed by some authors, such as Riedelsberger et al., 2005). So it is impossible to approach the trust development in the same way as constructing machinery with clear and stable constituent parts. The organizational relationships are way more complex and characterized by self-reinforcing or self-destructing feedback loops.
- Strategic tension as *dilemma* is the situation with two competing extremes where the actors are faced with “either... or...” choice. Dilemma implies the pressure towards two possible solutions, yet each with potential drawbacks and negative externalities. Thus, dilemmas are often perceived as “inevitable evil” in the decision making. There are numerous instances in organizational life where managers are pressed to choose between the

conflicting priorities, e.g. firing the employees during the times of crisis vs. collective “tightening of the belts” without cutting on the human resources. Thus, making decisions based on the “dilemma” approach means taking sides – situation that many managers are quite willing to avoid. When organizations are faced with the “horns of dilemma”, it is their organizational (and leadership) culture, i.e. the prevailing values, norms and practices that will usually determine the type of choices being made (Hampden-Turner, Trompenaars, 2000). For example, the choices in task-oriented organizational cultures will be quite different from the employee-oriented cultures. It is likely that the type of trust that will emerge in these different environments will also differ, e.g. in task-oriented cultures more contract-based trust is more likely to prevail.

- Strategic tension as *trade-off* is probably the most common situation of the organizational life and decision making. It is a problem situation in which there are many possible solutions, each striking a different balance between two conflicting pressures. It means that the choice is not so much *either or*, but *how much of each* available option we are ready to consider (Jucevicius, 2014). Every organization has to balance between the growth from internal vs. external resources, competition vs. cooperation, stability vs. change, focus vs. flexibility without going into the extremes, but finding an appropriate point of balance between the conflicting yet complementary sides. Researchers agree that trust is not a panacea to all the organizational problems, especially inside the business organization. Quite a few authors (e.g. Skinner *et al.*, 2013) mention the “dark side of trust”, meaning that trust-based relations can be abused, e.g. used for the manipulation and exploitation of members of organizations. “Blind trust” can be detrimental to the firm’s performance over time. Excessive trust may lead to “overembeddedness” in organizational relations, which creates preconditions for the closed, clan-like governance structures and inhibit the organizational change. It means that the “smart” development of trust should be based on recognition of the “bright” and “dark” sides of the trust-related embeddedness inside the organizations. Thus, managers have to adopt the *trade-off* approach when trying to balance the internal organizational contradictions. For example, they need to have clear rules, but not overreach their formal application, i.e. to balance the aspects of formal regulation and informal self-regulation.
- Strategic tension as *paradox* calls for the highest order of mental activity and is most of all applicable to problem solving in the complex systems. Paradox is a situation in which two seemingly contradictory factors are true at the same time. Unlike in the case of *dilemma* there is no choice between “either.. or...”, but “both... and...”. Unlike in the case of *trade-off*, there is no need for compromising one factor *at the expense* of the other. In the aforementioned situations we approach the context through its limitations – the decision maker is bound by the constraints of the system. Addressing the situation as a *paradox*, on the other hand, stimulates the creative thinking beyond the existing contradictions and alternatives. This is the “smart” thinking and organizational development at its best. To quote the American novelist Scott Fitzgerald “The test of a *first-rate* intelligence is the ability to hold two opposing ideas in *mind* at the same time and still retain the ability to function”. The same holds true when creating the trust-based organizational relations, especially on the system level. As already mentioned, organizations should be regarded as organic and complex adaptive systems. To be able to manage the paradoxes we need to adopt the complexity approach to management and trust development. For example, we need to think about trust development in terms of negative and positive feedback loops, enabling the self-organization and cascade effects, transformational instead of transactional leadership.

The “smart” development of organizational trust, therefore, is not a linear process. It has to take into account the organizational complexities and make the best of the existing contradictions (rather than disregard them at organization’s expense). In the next section we discuss some of the conceptual approaches to resolving such strategic tensions.

3. Conceptual approaches to resolving management dilemmas: implications for trust development

The literature on strategic management distinguishes quite a number of contradictions that call for “tough” choices. De Wit and Meyer (2004) note that strategic thinking has to balance between *logic* and *creativity*, strategic change – between *revolution* and *evolution*, business growth – between *outside-in* and *inside-out* perspectives, network level strategies – between *competition* and *cooperation*, organizational purpose – between *profitability* and *responsibility*. Hampden-Turner and Trompenaars (2000) argue that organizations face inherent cultural dilemmas, such as *universalism* (reliance on universal rules) vs. *particularism* (focus on unique situations and relations),

individualism (focus on individual freedom) vs. *communitarianism* (focus on social harmony and responsibility), *specificity* (focus on objective and analytic) vs. *diffusion* (focus on holistic and synthetic), *achieved status* (focus on people's track record) vs. *ascribed status* (focus on people's potential and connections), *inner direction* (focus on internal convictions) vs. *outer direction* (focus on external influences), *sequential time* (linear perception of time) vs. *synchronous time* (circular perception of time). All these strategic and cultural tensions lead managers to making tough decisions that have direct influence on trust in a specific organizational context.

R. M. Kidder in the book "How Good People Make Tough Choices. Resolving the Dilemmas of Ethical Living" discusses the main conceptual approaches in addressing such contradictory situations. The development of organizational trust, in our view, is very closely related to ethical decision making, thus, can draw some valuable insights from the research on ethics. According to R. M. Kidder, the most ethically complex decisions fall into the area of "right vs. right" and not on "right vs. wrong" (of course, depending on the decision maker's values and moral judgment). The author distinguishes four so-called "dilemma paradigms" in ethical decision making, such as *truth vs. loyalty*, *individual vs. community*, *short-term vs. long-term*, *justice vs. mercy*, and suggest three different ways of thinking when confronted with the "horns" of dilemma:

1. *Ends-based thinking or utilitarianism*, which is represented by the statement "Do whatever produces the greatest good for the greatest number". Such thinking is based on the cost and benefit analysis. It is the foundation for many legislative decisions that should produce the most blessing over the greatest range. It reflects the teleological principle (Greek "teleos" meaning "end") of producing the "greatest good".
2. *Rules-based thinking*, which is represented by the statement "Act only on that maxim through which you can at the same time will that it should become a universal law." It is associated with Immanuel Kant and his "categorical imperative" implying that one should follow only the principal that you want everyone else to follow, which is known among philosophers as "deontological" thinking (Greek "deon meaning "duty") Thus, the decision maker's actions become the maxim for the behaviour of the entire organization.
3. *Care-based thinking*, which is represented by The Golden Rule or the statement "Do to others what you would like them to do to you". It is the most widely accepted maxim in Christianity and one of the most long standing "moral glues" in history.

How can the above mentioned approaches be projected into the area of developing the organizational trust?

The *ends-based thinking or utilitarian* approach means that "tough" organizational decisions regarding trust could be made on the basis of collective cost-benefit analysis. However, such utilitarian perspective mistreats the organic nature of trust and its emergence in complex social environments. It is a very difficult (if not impossible) task to create trust while thinking about the "benefit for the greatest number", which implies the "winning" and "losing" side. Organizational trust is a fluid concept, yet it is characterised by its inclusiveness. It means that systemic trust can hardly be established if certain member of social organization are left excluded. Thus, the utilitarian approach to the development of trust can, at very best, lead towards emergence of the *particularist* trust (i.e. trust of in-groups characterised by the specificity of their shared characteristics or relations), which is by definition closed and has limited growth potential. *Ends-based thinking* can hardly produce *generalised* trust, which means a higher level of trust characterised by openness, spontaneous sociability and trust in strangers.

The *rules-based thinking or deontological* approach relies on making the decisions on the basis of universal principle that everyone should follow. From leadership perspective, it basically means leading by the example and setting the organizational rules that everyone, no matter the hierarchical level, are bound to follow. This is a very important precondition for the emergence of *generalised* trust on the system level that is based on the institutionalised norms of collective behaviours. Clear sets of legitimate rules enable actors to predict each other's behaviour and create incentives to comply with positive expectations of the other party. Therefore, the *rules-based thinking* has probably the biggest positive impact on trust development when making "tough" choices and managing the organizational paradoxes. Having clear rules that are accepted by the critical mass of actors and benevolent, selfless leadership are among the most important preconditions for successful management in complex systems.

The *care-based thinking*, as already mentioned, has been one of the most important "moral glues" in history ("do to others what you would like them to do to you"). There is no reason to suggest why this should not be the case in today's organizations. However, care-based thinking is probably more prevalent when building trust in dyadic

interpersonal relations, while it is the *rules*-based thinking that has more impact in building the systemic trust. However, at the same time, it would be inaccurate to underestimate the potential role of care-based thinking for the systemic trust. In case the Golden rule is deeply embedded into the critical mass of individual actors, it may have profoundly positive implications for the emergence of the systemic trust (which in a way consists of a multitude of dyadic interactions). Therefore, one should expect a combination of *rule*-based and *care*-based approaches when developing the organizational trust.

Conclusions

“Smart” development of organizational trust is based on the recognition of the complexity of social organizational environment, its non-linearity and inherent tensions. Trust development is too complex to be treated as “puzzle” (i.e. “ideal” solutions are practically out of reach in the complex environments) or pure “dilemma” (i.e. there are little “black and white”, “yes or no” choices in trust-related situations). In most cases the development of organizational trust falls into the category of “trade-offs” (i.e. making compromises along the continuum of extremes). However, the “smart” development of trust primarily rests on treating it as “paradox” (i.e. making the best of both extremes by addressing them both at the same time, or eliminating their perceived conflict). From management point of view, systemic trust will be more likely achieved by adopting the deontological, *rules*-based thinking rather than utilitarian, *ends*-based thinking. The *care*-based thinking can also be adopted to promote trust in dyadic relations, though managers may find it harder to implement in organizational practice because it rests upon the fundamental values and attitudes of employees. The higher level societal institutions (e.g. schools) could play an important part in promoting the care-based thinking across the society in order to create micro-preconditions for the emergence of systemic trust.

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